

Abstract

Purpose: In recent years, the trend in Corporate Governance statements that are not fully compliant with National Codes is the principle of the “comply or explain” approach. This is because managers of companies deviating from Corporate Governance codes try to be lawful, providing reasonable explanations. Thus, they reach an impasse, copying explanations from other companies, in a mimetic behavior.

Design/Methodology/Approach: This study focuses on the “comply or explain” approach in Greek listed companies, analyzing statements by 162 companies (80.2%) listed on the Athens Stock Exchange (ASE), showing a total of 1211 deviations from the National Code. Therefore, the explanations were classified for analysis, grouping them into 3 main categories and investigating the degree of imitation.

Findings: 96 companies deviating from the code (56.3%) provided explanations as to their legitimacy practices. Thus, the managers of these companies tried to explain their deviations from the National Code in such a way that it could be considered that they tend to imitate each other, striving to be lawful.

Originality/Value: This study is the first one that examine the mimetic behavior on Corporate Governance Statements in Greece. Although the trend of imitation is a fact in developed economies, similar studies never took place on emerge economies. This study contributes to the literature by examine if the trend of mimetic behavior exists in emerge economies as well.

Keywords: Quality of Explanations, Compliance, Corporate Governance Codes, Legitimacy, Mimetic Behavior.

1. Introduction

Nowadays, it is essential for companies listed on the stock exchange to disclose information on their performance. Diouf and Boiral (2017) mark that 53% of the 500 largest companies listed on the US stock exchange and 93% of the 250 largest companies around the world publish sustainability reports. Sustainability reporting is more than a trend; a practice used in common and along with the Global Reporting Initiative indicators, it improves standardization (Diouf and Boiral, 2017; Berman et al., 2003).

Although each country may introduce its own sustainability practices and despite the differences that may occur, the Global Reporting Initiative sets the base for sustainability reporting (Schaltegger et al., 2014). This is a benchmark for comparing information among various companies, providing investors with information about corporate sustainability and performance (Marimon et al., 2012). Indeed, the quality of information provided by financial statements, as well as the reliability of sustainability reports, is disputed in the literature (Diouf and Boiral, 2017; Cho et al., 2012; Hopwood, 2009; Milne and Gray, 2007).

As Diouf and Boiral (2017, p.645) remark, “the main objective of the Global Reporting Initiative (GRI) (2006), is to provide a trusted and credible framework for sustainability reporting that can be used by organizations of any size, sector, or location”. As a result, Corporate Governance codes have been introduced around the world to apply good governance practices. As Nerantzidis (2015) notes, a good governance practice may mean different things to different people according to their point of view; it depends on the development a country has (Weimer and Pape, 1999). Thus, each country has a set of Corporate Governance procedures comprising legal and financial factors, corporate ownership structure, culture, and the country’s economic situation (Davies and Schlitzer, 2008).

Corporate Governance codes were introduced due to corporate mismanagement (Enrione et al., 2006). The code that is applicable in one country may vary from that in another, but, all rules of codes are based on the “comply or explain” principle (Hooghiemstra and Van Ees, 2011; Haxhi and Van Ees, 2010; Seidl, 2007). This principle was introduced by the Cadbury Report and promoted by national and supranational organizations around the world, including the European Union, through Directive 2006/46/EC (Nerantzidis, 2015; Nerantziadis and Filos, 2014; Seidl et al., 2013).

The “comply or explain” principle allows companies to choose whether to fully comply with the applicable Corporate Governance codes. In case of non-compliance with the code's provisions, explanations should be given according to the “comply or explain” system. Although deviations from the code are possible, upon provision of explanations, these explanations have been “largely neglected” (Solomon, 2010, p. 156) and thus this self-regulated system is open to abuse (Wymeersch, 2005). Therefore, it is essential to examine the quality of explanations provided by companies for non-compliance (Shrives and Brennan, 2015).

Although the “comply or explain” approach is a trend in companies operating in developed countries, very little research has been made to understand how it works in practice (Seidl et al. 2009; Aguilera and Cuervo-Cazurra, 2009). On the other hand, there are many surveys on compliance rates (Von Werder and Talaulicar 2010; Akkermans et al., 2007; Von Werder et al., 2005), along with correlations between company performance and compliance rates, share prices and company size (Andres and Theissen, 2008; Alves and Mendes, 2004; Bauer et al., 2004; Drobetz et al., 2004; Gompets et al., 2003), while no research has been conducted on the different ways in which companies use the “explain” option, when deviating from the provisions of the code (Seidl et al. 2013).

This paper aims to contribute to the “comply or explain” principle, by examining the quality of information provided by companies listed in Greece's stock exchange. Extensive research has been made on examining compliance with best practices (Abdelkarim and Ijbara, 2010; Florou and Galaniotis, 2007; Tsipouri and Xanthakis, 2004; Werder et al., 2005) and on rating the degree of compliance with the code's practices along with the explanations provided for non-compliance (Nerantzidis, 2015). However, this study tries to investigate the number of Greek listed companies that apply the “comply or explain” practice and whether any explanations provided indicate mimetic behavior. This contributes to the discussion on the extent to which companies using this practice copy explanations of other “typical” companies, as “the circumstances of each company are inevitably different, the explanation is unlikely to be as good as a specially crafted one” (Shirves and Brennan, 2015, p.88).

The findings showed that quite a large presentence of companies (56.3%) deviate from the code. Therefore, managers tend to explain their deviations from the national Corporate Governance code as explanations for legitimacy purposes. This may occur due to imitation regarding the explanations given.

The paper is organized as follows. Section 2 presents the theoretical background, Section 3 describes the research methodology and Section 4 presents the empirical findings. The conclusions and the main points of this paper are summarized in Section 5. This study examined 162 companies listed on the ASE (about 80%), to investigate whether they deviate from the national Corporate Governance code. The deviations were classified based on the explanation provided by companies, to investigate whether mimetic behavior is noted between companies, especially small ones.

2. Theoretical Background

As concerns the legitimacy theory, there is a relationship between the organization and society. It is not a company's structure or actions that grant it legitimacy, but the relationship between the company and society itself (Suchman 1995, p.594). Thus, every company tries to ensure that its investors perceive its actions as desirable, proper or appropriate (Seidl et al., 2013). Although compliance with laws is an institutionalized expectation, companies utilize various strategies or practices to

preserve legitimacy (Suchman, 1995). These may concern “promising reform” (Meyer and Rowan, 1977) or dialogue with society to convince investors about the desirability or moral superiority of an alternative manner of action (Seidl et al., 2013; Deephouse and Suchman, 2008; Oliver, 1991). Suchman (1995, p.586) notes that legitimacy management “rests heavily on communication – in this case, communication between the organization and its various audiences” and this can be translated “in the language employed in the UK and German code documents which speak of “general expectations”, “justifications”, “considered explanation”, etc. (Seid et. al., 2013, p. 795).

Zuckerman (1999) notes that companies that do not provide “explanations” for non-compliance to facilitate investors and society face an “illegitimacy discount” from the capital markets. Nevertheless, as MacNeil and Li (2006) mention, it is the investors who make an informed assessment of whether “non-compliance” is conditionally justified. It should be noted however that even if investors are convinced by the explanations provided for the company’s deviation from the code, negative media coverage of a company’s compliance may have negative effects on the company (Seidl, 2007; Dyck and Zingales, 2002).

Sanderson et al. (2010) note that many companies report pressure to provide convincing justifications to explain their deviations from the code. The provisions of the code are explicitly meant to be applied flexibly (Seidl et al., 2013), meaning that companies are allowed not to follow all provisions on a “one size fits all” basis. In other words, companies that apply individual rules are expected to deviate from the code’s provisions. Companies should have the possibility to adjust the principles of corporate governance to their situations to be more efficient (Ringleb et. al, 2004). Managers applying the “comply or explain” approach are aware that some companies will have difficulties in complying with certain provisions (Seidl et. al., 2013). As the Cadbury Committee notes, “Smaller listed companies may initially have difficulty in complying with some aspect of the code” (Cadbury1992: 3.15). Moreover, “the boards of smaller listed companies which cannot, for the time being, comply with parts of the Code should note that they may instead give their reasons for non-compliance.” (Cadbury1992: 3.15).

Efforts are made worldwide to improve the Corporate Governance system and, as Nerantzidis (2015) notes, the spread of practices to improve the systems originates from two theoretical approaches: the institutional and the efficiency theories (Enrione et al. 2006; Meyer and Rowan, 1977). Although these two theories have distinctive characteristics and are different, they complement each other and spread the practices of good governance across countries with different economic and organizational structures (Aguilera and Cuervo-Cazurra, 2004).

According to the first theory, the code aims to harmonize each country’s Corporate Governance code with international best practice (Zattoni and Cuomo, 2008). In other words, to be able to survive, companies will have to accept institutional changes, even

if these do not have a strong impact on a company's short-term results and performance (Nerantzidis, 2015; Chizema and Buck, 2006).

The second theory concerns efficiency. According to this, the code aims to protect investors by enhancing the legal system (Zattoni and Cuomo, 2008). The adoption of good governance practices is used to equalize minority rights with big shareholders in the legal system, by developing instruments that increase the effectiveness of each country's Corporate Governance code, by promoting firm transparency and board accountability (Nerantzidis, 2015; Aguiliera and Cuervo-Cazurra, 2004).

As mentioned, the new trend in Corporate Governance codes is the application of a "comply or explain" approach by listed companies. The Corporate Governance system or the type of a country's legal system "may provide explanations for the efficiency of the code's application" (Nerantzidis, 2015, p. 376). Common law countries follow the spirit of the Corporate Governance code while civil law countries follow institutional provisions.

Institutional theory (Mizruchi and Fein, 1999; DiMaggio and Powell, 1983) supports that companies comply with the Code to survive. Companies are required to comply with the Code, that is, either to implement the best practices of the Code, or to provide explanations for their non-compliance with it (Shrives and Brennan, 2015). Furthermore, some companies may mimetically copy the actual explanations of other companies' non-compliance (DiMaggio and Powell, 1983), to explain their deviations from the code, where they are unsure "how best to craft the explanation" (Shrives and Brennan, 2015, p.88). "Uncertainty is [...] a powerful force that encourages imitation (DiMaggio and Powell, 1983, p.151). As Dillard et al. (2004) note, managers may copy what legally seems an acceptable practice regarding non-compliance, to "maintain legitimacy and increase survival prospects".

Managers that run companies non-compliant with the code should provide specific explanations to their audience, and copied disclosures should be avoided (Shrives and Brennan, 2015). In cases of mimetic behavior, the explanations provided by companies are "unlikely to be as good as a specially crafted one" (Shrives and Brennan, 2015, p. 88).

Apart from the mimetic behavior of managers copying other "typical" companies in their companies' Corporate Governance statements, institutional theory introduces "decoupling". According to this, corporate practices are inconsequent with company processes (Dillard et al., 2004; Meyer and Rowan, 1977). Managers may copy an explanation from another company's report, even if this explanation fails to explain their company's own circumstances. According to Shrives and Brennan (2015), managers construct an explanation for the annual report that may seem true or is partly true, because the company fails to provide an explanation.

It is generally accepted that the ownership of a company is a key factor of how a business operates and how annual statements are prepared. Greek companies are mainly owned and controlled by families (Mavridis, 2002). The fundamental problem

of annual Corporate Governance statements, according to Nerantzidis (2015, p.376), is that “the interests of controlling and minority shareholders' rights are not aligned”. Thus, family members that control the company can manipulate the company's acts in their favor. Moreover, external control in Greece, and countries with similar characteristics, is poor. Thus, the protection of minority shareholders is a “difficult task” (Nerantzidis, 2015, p.379), even though, as an EU Member, Greece has adopted the concept of the good governance code and the practices introduced with Corporate Governance statements.

The framework of Corporate Governance practices in Greece has developed mainly by adopting the mandatory legislation, through European directives that had to be transposed into the Greek legal framework. Law 3016/2002, establishing the new corporate governance rules in Greece, mandates the participation of non-executives and independent non-executives on the boards of Greek listed companies, as well as the establishment of an internal control function and the adoption of internal regulations.

The Corporate Governance laws introduced in Greece are Law 3693/2008 “Harmonization of Greek legislation with European Directive 2006/43/EC on statutory audits of annual and consolidated accounts”, concerning the establishment of audit committees and introducing disclosure obligations, Law 3873/2010 “Integration into Greek legislation of EU Directives 2006/46/EC and 2007/63/EC on statutory audits of annual and consolidated accounts of certain types”, by which ASE-listed companies are obligated to disclose an annual Corporate Governance statement on their reports, Law 3884/2010 “Integration into Greek legislation of EU Directive 2007/36/EC on exercise certain rights of shareholders in listed companies”, that introduces further disclosure obligations for information provided to shareholders (Nerantzidis and Filios, 2014). Furthermore, Law 3873/2010, which harmonized Directives 2006/46/EC and 2007/63/EC “incorporates provisions addressing to some extent any financial irregularities by promoting greater disclosure and transparency in companies' and group financial statements and reports, while further facilitating cross-border investments by simplifying merger or division procedures” (Kontogeorga et al. 2017, p.263).

Law 3401/2005 on the prospectus published when securities are offered to the public (implementing Directive 2003/71/EC on the prospectus to be published, when securities are offered to the public or admitted to trading), Law 3461/2006 on optional and mandatory public takeovers (implementing Directive 2004/25/EC on takeover bids) and the Athens Stock Exchange Regulation (codified version dated 16 August 2011, as approved by Hellenic Capital Market Commission Decision No. 594/19 August 2011) (Yannikas , 2017).

The Hellenic Federation of Enterprises (SEV), introduced the first National Corporate Governance Code of Greece, pursuant to Law 3873/2010, based on the “comply or explain” approach. As Nerantzidis (2015, p.379) notes, “this code aims at being widely promoted both as a best practice tool and as a point of reference to ensure listed

companies comply with the aforementioned Law". This code provides 64 best practices and is categorized in 5 general Corporate Governance principles.

Greece's legal framework is fully harmonized with EU Guidelines and Directives (Spanos, 2005). Each company choosing to adopt the SEV code (2011) should either comply with the code's provisions, or explain the reasons for non-compliance (Nerantzidis et al., 2014). However, the harmonization of Greek legislation must also prove that it is aimed at protecting minority rights.

3. Research Methodology

The purpose of this study is to explore the legitimacy practices that companies use in deviating from the Greek Corporate Governance Code. To do so, it considered the annual compliance statements and Governance Reports of Greek listed firms for the year 2016. In these reports, companies should declare their compliance with the National Code or explain any deviation therefrom. Moreover, the study tries to investigate whether the explanations provided by companies represent mimetic behavior.

This study is based on the considerations by Seidl et al. (2013) on the legitimacy practices companies follow in Germany and the UK. According to them, the first consideration focuses on the extent of compliance and the quality of explanations given, as noted by Von Werder et al. (2005). Secondly, as Akkemarmans et al. (2007) note, the acts to comply with the code's provisions vary depending on company size. Finally, the explanations provided by companies are grouped and the most frequent ones were analyzed, to research the mimetic behavior of Greek listed companies.

In Greece, the obligation to comply or explain is part of the requirements for listed companies; moreover, there is a recommendation for companies deviating from the National Code to provide explanations for the deviations disclosed.

The data used for this study include the corporate governance statements of 162 ASE-listed companies. The statements analyzed include their compliance statements, published in 2017, reporting on their activities in the fiscal years ending 31 December 2016 and 30 June 2017.

The above listed companies include 23 FTSE25 index companies (the 25 largest index companies by market capitalization), 20 FTSE40 index companies (the next 20 companies with medium capitalization) and another 119 ASE-listed companies. The above companies represent 80.2% of the total 202 companies listed on the ASE for calendar year 2017.

First, the compliance statements included in the Corporate Governance reports of companies reporting deviations were identified, to explore which companies make use of the explain option and what legitimacy practices they use for their explanations. This showed a set of 1211 stated deviations, analyzed in 81 of FTSE25 index, 197 of

FTSE40 and 933 of other companies. The above table clearly shows that companies deviating from the code mainly have medium and small capitalizations (80% and 76% respectively). Of course, those companies have a greater number of deviations; most deviations (933 of 1211) appear in “other companies”, which have the smallest capitalization.

See Table 1

Table 2 below shows that, of the 162 listed companies, 96 (about 59.3%) deviate from the National Corporate Governance Code while 66 (about 40.7%) comply. Once again it is obvious that most Greek listed companies tend to deviate from the National Code, providing at least some explanation. This may be an indication that companies deviating from the code imitate each other, since most are among those with small capitalizations, thus following the larger companies' explanations, for legitimacy purposes.

See Table 2

Second, a content analysis of the Corporate Governance statements of the above companies was carried out (Seidl et al., 2013; Krippendorf, 2004; Babbie, 2003; Strauss and Corbin 1998; Miles and Huberman, 1994). Deviations from the Corporate Governance Code were categorized based on the taxonomy of explanations provided by Seidl et al. (2013, pp. 803-804), but with some variations. Table 3 below shows the taxonomy of these explanations.

See Table 3

The context analysis by Seidl et al. (2013), revealed differences in the types of explanations provided in companies' compliance statements. Furthermore, as in some cases statements were incomplete or ambiguous, three general categories of explanations were created, with several subcategories.

4. Empirical Findings

Regarding Table 1 and as concerns the examination of Corporate Governance statements, the study sample reveals that Greek listed companies tend to use the flexibility provided by the “comply or explain” principle. Of companies in the FTSE25 index, 32% declare deviations from the National Code, as do 80% of companies in the FTSE40 index. The other ASE-listed companies that complete the study sample declare deviations from the National Code at a rate of about 76%. In general, about 71% of the sample's companies declare that they use the “comply or explain” principle, deviating from the National Code.

As other studies noted (Seidl et al., 2013; Hooghiemstra and van Ees, 2011; MackNeil and Li, 2006; Von Werder and Talaulicar, 2006), there is a strong correlation between the number of deviations and size; smaller companies tend to deviate from the code more often. Wymeersch (2005) and Seidl (2007) argued that pressure to companies in order to fully comply with the code may force them into inappropriate or sub-optimal decisions.

Although the “comply or explain” principle offers companies flexibility in avoiding the “one size fits all” regulation, the deviations per se may reflect which companies are unwilling to comply with the National Code (MackNeil and Li, 2006). Therefore, it is essential to analyze the reasons provided by companies for deviating from the code. The explanations provided were grouped according to this and considering the taxation of deviations shown in Table 3.

Firstly, explanations concerning deficient justifications were allocated to groups. Taking into account the companies' compliance statements, explanations were categorized either as “pure disclosure” when a company declared solely that it deviates from the code, or as “description of alternative practice” when a company provided an alternative to the National Code, or “empty justification” when a company provided a seeming justification for its deviation, but without any explanatory effect.

Companies confirmed that they had not complied with National Code provisions and, in the case of “description of alternative practice”, provided further explanations. For example, in the case of “pure disclosure”, company No 29 simply states: “Until 5th April 2017, the stated code applies with the following deviations:” without providing any further explanations. As Seidl et al. (2013) noted in their study (p.802) “such pure disclosure statements may indicate that the failure to comply is temporary”. On the other hand, “description of alternative practice” provides more information than “pure disclosure” on the alternative practice a company uses in deviating from a provision of the code. For example, company, No 3 states: “The company may deviate from the code and its Corporate Governance Principles”, while, some lines below, it states the deviation, accompanied by alternative explanations. In the case of “empty justification”, companies provide explanations with no effect. For example, while declaring that it deviates from the code, company No 35 states that: “The company's Board is composed of 7 members, 4 thereof being executive members and 3 non-executive members, of which 2 are independent”. Although this company explains the size and make-up of its Board, its explanation is pointless.

Table 4 below shows the three types of deficient justifications listed companies in Greece tend to use. This Table clearly shows that the majority of Greek listed companies (55 companies; i.e. about 61.8%), which deviate from the code use the “description of alternative practice”. It is remarkable that 24 companies (27% of sample) use “empty justifications”, providing pointless justifications for their deviations. Only 10 companies (11.2% of sample) use “pure disclosure”, solely declaring that they deviate from the code.

Interestingly, all FTSE25 index companies (100%) deviating from the code use the “description of alternative practice” (Appendix 1). Of the FTSE40 index companies, the majority (69.2%) use the “description of alternative practice” and only 1 uses “pure disclosure” (Appendix 2). The same trend is observed in the rest of the companies' sample, as 55.7% use “description of alternative practice”, 30% “empty justification” and only 12.9% “pure disclosure” (Appendix 3).

See Table 4

Secondly, context-specific justification was made, to group the fully justified explanations for non-compliance. Therefore, this study used the six sub-categories introduced by Seidl et al. (2013). These are: “company size or board”, “company structure”, “international context”, “other company-specific reasons”, “industry specifications” and “transitional issues”.

In the case of “other company-specific reasons”, the company should provide explanations to justify deviations regarding the company's particular situation, other than its size, structure or international context. For example, company No 79 states: “There is no Board remuneration committee and there is no competent body to assume these tasks”, while company No 128 states: “There is no obligation to disclose any professional commitments of the Board members (including significant non-executive commitments to companies and non-profit institutions) prior to their appointment to the Board” and company No 26 states: “Regarding the application of the special practice of electronic voting or correspondence, its application is provisionally suspended pending the adoption of relevant ministerial decisions, as provided for in Law 3884/2010”.

In the case of “company structure”, the company provides explanations due to deviations in its specific structure. For example, company No 5 states: “Non-executive members do not meet without the presence of executive members, in order to assess the performance of executive members and to determine their remuneration”, and company No 42 states: “There is no institutionalized procedure for evaluating the effectiveness of the BoD and its committees”.

As Table 5 shows, “other company specific reason” is the most common deviation from the provisions of the National Code, as 91% of companies declare an explanation that meets the criteria of this category. This is probably because of the structure of Greek listed companies, which are mostly “family companies”. This may lead to deviations in the Board decisions, made due to the family's, not only the company's, interests.

The second most common deviation is “company structure”, as 89.9% of companies use explanations of this group. Once again, this may be explained by the fact that there are a small number of large capitalization companies in Greece, compared to the

international context. The fact that many enterprises left the country, moving their headquarters to other European countries (e.g. Bulgaria, Belgium), leaving only the small ones, which tend to imitate explanations for their deviations, may contribute to this.

The third most common deviation is “size of board”, as 69.7% of companies use explanations of this group. On the contrary, no company used an explanation for deviating from the code, that matches the criteria of the group “international context” and “transitional issues”. It should be noted that only 2 companies used “industry specifications” in their explanation.

See Table 5

Thirdly, justification principles were grouped. This category provided explanations of deviations from the National Code, concerning three sub-categories: “effectiveness and efficiency issues”, “general implementation issues” and “conflicts with laws/norms”.

For example, company No 83 states: “There is no provision for providing adequate resources to the BoD committees for the performance of their duties and for the recruitment of external consultants to the extent they are needed, as the relevant resources are approved on a case-by-case basis by the company's management, based on the company's needs” and company No 49 states: “There is no institutionalized procedure to assess the effectiveness of the BoD and its committees”.

Table 6 below shows that most companies that deviate from the National Code use explanations concerning “effectiveness and efficiency issues”. As shown, 62.9% of companies declare deviations due to “effectiveness and efficiency issues”, while only 2 companies declare deviations due to “conflicts with laws/norms” and just 1 declares deviating due to “general implementation problems”.

See Table 6

At this point, it is necessary to present most common deviations of Greek listed companies from the National Code. A categorization was made, to group the explanations provided above. For this purpose, the 24 most frequent explanations recorded are presented in Appendix 4.

Of those deviations, 8 present the highest frequency among companies. These refer to: “The BoD has not established a separate committee to lead the procedure for submitting nominations for election to the BoD” by 67.7% of companies, “There are no BoD-guaranteed introductory information programs for new BoD members, nor continuous professional training for other members, as persons with proficient and

proven experience and organizational-administrative capacities are proposed to be elected as BoD members” and “There is no institutionalized procedure to assess the effectiveness of the BoD and its committees.”, by 60.4% of companies. Moreover, 58.3% of companies declare deviations from the National Code because: “There is no remuneration committee, consisting exclusively of non-executive members, most of them independent, whose purpose is to determine the remuneration of the BoD's executive and non-executive members, and therefore there are no arrangements for the duties of that committee, its frequency of meetings and other matters concerning its operation”. 56.3% of companies deviates because “The BoD does not appoint an independent Vice-Chairman, from amongst its independent members, but the Vice-Chairman is an executive member, as it is extremely important for him to assist the BoD Chairman in the exercise of his executive duties” and “There is no nomination committee for the BoD”. Finally, 54.2% companies declare deviations from the National Code because “At the beginning of each calendar year, the BoD does not adopt a calendar of meetings and a 12-month action plan” and due to the “Size and composition of the BoD”.

The context analysis of the explanations for deviations from the National Code revealed that the smaller a company is, the more it tends to deviate and to copy key words, phrases or even the same explanations from other companies. That is, in a way, an indicator of the verbatim copying of explanations and leads to mimetic behavior between companies. For example, deviation No 16 that refers to the “provision for BoD support in the performance of its work by a competent, skilled, and experienced corporate secretary”, is stated by 25% of FTSE25 index companies, 43.8% of FTSE40 index companies and by 50% of other companies. According to the analysis, it seems that smaller companies copy this explanation in some way from larger ones.

Another fact shown by the analysis is the prevalence of certain deviations in each of the three groups of companies. In other words, FTSE25 index companies tend to copy each other in specific explanations of deviations, such as: “Size and composition of the BoD”, or “The regular and non-executive members do not meet without the presence of executive members in order to assess the performance of executive members and to determine their remuneration”. On the other hand, FTSE40 index companies favor other deviations, such as: “The BoD has not established a separate committee to lead the procedure for submitting nominations for election to the BoD.” or “At the beginning of each calendar year, the BoD does not adopt a calendar of meetings and a 12-month action plan”, while Other companies use deviations such as: “There are no BoD-guaranteed introductory information programs for new BoD members, nor continuous professional training for other members, as persons with proficient and proven experience and organizational-administrative capacities are proposed to be elected as BoD members”.

All the above shows that not only do small companies mimic the explanations provided by larger ones, but also companies from the same group (hence with common characteristics) tend to copy each other in presenting deviations from the

Greek National Corporate Governance Code. This is because the managers of these companies are usually their founders or family members thereof and they either do not have sufficient legal knowledge or do not have adequate legal support to explain deviations from the code. For these - and probably for other - reasons, they tend to imitate the explanations provided by larger companies on issues relating to their deviations.

5. Conclusions

This article tried to investigate whether Greek listed companies comply with or deviate from the National Corporate Governance Code. For that purpose, context analysis was made on 80.2% of these companies (162 out of 202 companies) for the calendar year 2017. The analysis showed that 59.3% (96 companies) deviate from the code and use the “comply or explain” principle.

Companies that deviate from the code provided explanations as to their legitimacy practices. According to that, most companies tried to explain their deviations from the code in such a way that it could be considered that they tend to imitate each other. This phenomenon occurs mainly in small companies, which, striving to be lawful, even copy the same phrases of other companies verbatim. This study reveals that managers of such companies only care to provide an explanation for deviations from the code as a logical justification, and not to capture the existing situation of their companies.

Listed companies in Greece are obligated to “comply or explain” whether they deviate from the National Corporate Governance Code. Furthermore, it is recommended that they provide explanations for their deviations. Previous studies noted that company size is correlated with the number of its deviations from the Corporate Governance Code. This is confirmed by the present study, for the case of Greece as well. According to our findings, aiming to fully comply with the National Code, smaller companies tend to imitate larger ones

Listed companies in Greece tend to use three types of deficient justification. The majority of Greek listed companies (55 companies; i.e. about 61.8%) deviating from the Code use the “description of alternative practice”. It is remarkable that 24 companies (27% of companies) use the “empty justification”, providing justification for their deviations, but without any explanatory effect. Only 10 companies (11.2% of companies) use “pure disclosure” and only declare that they deviate from the Code.

Interestingly, all FTSE25 index companies (100%) deviating from the code use the “description of alternative practice” (Appendix 1). Of the FTSE40 index companies, the majority (69.2%) use the “description of alternative practice” and only 1 uses “pure disclosure”. The same trend is observed in the rest of the companies' sample, as 55.7% use “description of alternative practice”, 30% “empty justification” and only 12.9% “pure disclosure”.

This study grouped the explanations provided by Greek listed firms. It identified the 24 most frequently occurring explanations recorded in Corporate Governance Statements.

Like all such studies, this study has limitations. The first one concerns the study sample, which is limited to Greece for the calendar year 2017. Due to Greece's ongoing economic crisis, many companies listed on the ASE in previous years have suspended the trading of their shares. An examination of previous years may have led to biased results, due to the different sample of companies. Another limitation concerns the number of companies in the sample; although it covers almost 80% of listed companies, the actual number of companies is not big enough. The last limitation refers to the explanation provided by the companies, classifying them only by size and not per corporate sector.

For future research, it would be critical to expand the sample to other years, excluding companies whose shares are not traded on the stock exchange continuously every year. Moreover, it would be interesting to present a taxonomy not only in three groups by size, but also by company sector. Last but not least, a comparison to the results of similar studies for economies similar to Greece's (with economic crises or developing countries) would be essential.

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See Appendix 1

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